



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 2, 2002

H.R. 4560 **Auction Reform Act of 2002**

As ordered reported by the House Committee on Energy and Commerce on May 2, 2002

SUMMARY

H.R. 4560 would repeal statutory deadlines for auctioning licenses for the use of some of the electromagnetic spectrum currently allocated to television channels 52 through 69. The bill also would direct the Federal Communications Commission (FCC) to issue a report within one year after enactment on issues related to rescheduling the auction of those frequencies.

The budgetary effects of the bill would depend on both actions by the FCC and economic factors. Proceeds could be higher than expected under current law if all of the frequencies are auctioned before the FCC's auction authority expires in 2007; but they could be lower or zero if such auctions are not completed by 2007. On balance, CBO estimates that enacting this bill would reduce expected proceeds from the authority to auction these frequencies. It would therefore lead to a net loss of receipts and thus an increase in direct spending of \$1.4 billion over the 2003-2007 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

H.R. 4560 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4560 is shown in the following table. The costs of this legislation fall within budget function 950 (undistributed offsetting receipts).

By Fiscal Year, in Millions of Dollars						
	2002	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING						
Channels 52-69 Auction Receipts						
Under Current Law						
Estimated Budget Authority	0	-2,800	-600	-600	0	0
Estimated Outlays	0	-2,800	-600	-600	0	0
Proposed Changes						
Estimated Budget Authority	0	2,800	600	600	-1,300	-1,300
Estimated Outlays	0	2,800	600	600	-1,300	-1,300
Channels 52-69 Auction Receipts						
Under H.R. 4560						
Estimated Budget Authority	0	0	0	0	-1,300	-1,300
Estimated Outlays	0	0	0	0	-1,300	-1,300

BASIS OF ESTIMATE

Under current law, the spectrum currently allocated to television channels 52 through 69 should be available for new commercial uses after the television stations complete their expected transition from analog to digital broadcasting technology. CBO expects that, under current law, this transition will occur well after the statutory goal of December 31, 2006. Companies would discount the amount they are willing to pay for such licenses because of the lag between an auction and completion of the transition to digital television. We estimate that proceeds from the FCC's auction of these bands, which is scheduled to start on June 19, 2002, would total about \$4 billion under current law.

CBO expects that repealing statutory deadlines for licensing these frequencies would affect auction proceeds in two ways. On the one hand, if all of the affected spectrum were auctioned at a later date, we expect that total proceeds would be greater than \$4 billion. On the other hand, eliminating the statutory deadline would increase the likelihood that these bands would not be auctioned before the FCC's auction authority expires in 2007, particularly because the transition to digital television is likely to occur well after that point. For this estimate, we assume there is a 50 percent chance that auctions of all of the affected spectrum would be held by 2007. (If they do occur, proceeds would most likely be collected after 2005.) Our estimate of proceeds under this bill—a total of \$2.6 billion over the 2003-2012 period—reflects the net effect of these two factors.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	2,800	600	600	-1,300	-1,300	0	0	0	0	0
Changes in receipts						Not applicable					

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4560 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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